

Third Quarter Results

for the period ended June 2024



sappi

“Sappi is a leading global provider of everyday materials made from woodfibre-based renewable resources. As a diversified, innovative and trusted leader focused on sustainable processes and products, we are building a more circular economy by making what we should, not just what we can.”

Our raw material offerings (such as dissolving pulp, wood pulp, biomaterials and timber) and end-use products (packaging papers, speciality papers, graphic papers, casting and release papers and forestry products) are manufactured from woodfibre sourced from sustainably managed forests and plantations, in production facilities powered, in many cases, with bio-energy from steam and existing waste streams.

Together with our partners, Sappi works to build a thriving world by acting boldly to support the planet, people and prosperity.

	Quarter ended			Nine months ended	
	Jun 2024	Jun 2023	Mar 2024	Jun 2024	Jun 2023
Key figures (US\$ million)					
Sales	1,370	1,326	1,352	3,994	4,428
Operating profit (loss) excluding special items ⁽¹⁾ (4)	85	41	116	287	367
Special items – loss (gain) ⁽²⁾ (4)	3	(15)	46	228	(28)
EBITDA excluding special items ⁽¹⁾ (4)	151	106	183	490	563
Profit (Loss) for the period	51	40	29	(46)	299
Basic earnings per share (US cents)	9	7	5	(8)	53
EPS excluding special items (US cents) ⁽³⁾	9	5	12	30	46
Net debt ⁽³⁾	1,340	1,176	1,366	1,340	1,176
Key ratios (%)					
Operating profit (loss) excluding special items to sales ⁽⁴⁾	6.2	3.1	8.6	7.2	8.3
Operating profit (loss) excluding special items to capital employed (ROCE) ⁽³⁾ (4)	9.1	4.4	13.0	10.5	13.6
EBITDA excluding special items to sales ⁽⁴⁾	11.0	8.0	13.5	12.3	12.7
Net debt to EBITDA excluding special items ⁽⁴⁾	2.0	1.2	2.2	2.0	1.2
Covenant leverage ratio ⁽³⁾	2.1	1.2	2.3	2.1	1.2
Interest cover ⁽³⁾	10.3	14.2	9.9	10.3	14.2
Net asset value per share (US cents) ⁽³⁾	405	446	387	405	446

⁽¹⁾ Refer to note 2 to the group results for the reconciliation of EBITDA excluding special items and operating profit excluding special items to operating profit by segment and profit for the period.

⁽²⁾ Refer to note 2 to the group results for details on special items.

⁽³⁾ Refer to supplemental information for the definition of the term.

⁽⁴⁾ The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations, which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.

Highlights for the quarter

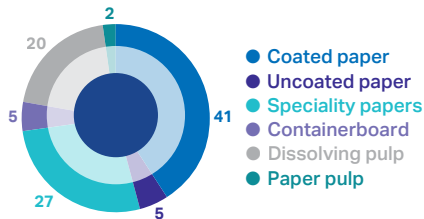
EBITDA excluding special items
US\$151 million (Q3 FY23: US\$106 million)

Profit for the period
US\$51 million (Q3 FY23: US\$40 million)

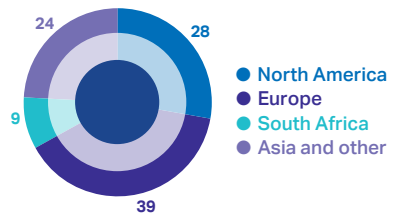
EPS excluding special items
9 US cents (Q3 FY23: 5 US cents)

Net debt of
US\$1,340 million
 (Q3 FY23: US\$1,176 million)

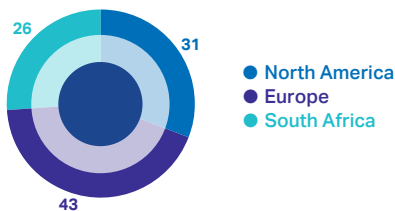
Sales by product* (%)



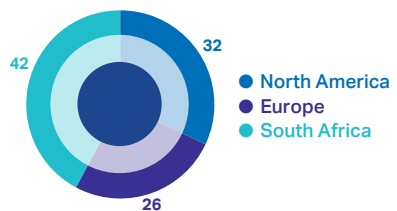
Sales by destination* (%)



Sales by source* (%)



Net operating assets** (ex corporate) (%)



* For the period ended June 2024.

** As at June 2024.

Commentary on the quarter⁽¹⁾

Operating performance for the third quarter was substantially above last year with the group delivering EBITDA⁽²⁾ excluding special items of US\$151 million. Despite the third quarter being seasonally the weakest for our business and a sluggish global economy, the underlying profitability, excluding a US\$30 million impact of the scheduled maintenance shuts at Saiccor and Somerset Mills, remained steady quarter-on-quarter. The performance was driven by sustained strong market conditions in the pulp segment, offset somewhat by a muted recovery in paper markets. Included in EBITDA was a positive plantation fair value price adjustment of US\$3 million.

Globally consumer sentiment showed signs of improvement as inflation continues to subside, which provided a boost for packaging and textile markets. However, graphic papers markets generally remained subdued with the recovery post the destocking cycle of 2023 slowing during the quarter.

Market conditions for dissolving pulp (DP) continued to be favourable, supported by tight supply and strong demand, which was enhanced by high downstream viscose staple fibre (VSF) operating rates and low inventory levels. The hardwood DP spot market price was stable during the quarter rising by US\$2/ton to end the quarter at US\$942/ton. Pulp sales volumes declined by 5% compared to the prior year and quarter. This was driven by low inventory levels at the beginning of the

quarter and lower external high yield pulp⁽³⁾ sales due to the scheduled annual maintenance shut at the Matane Mill. DP sales volumes and US\$ pricing were roughly in line with the prior year and quarter.

Graphic papers sales volumes increased by 13% compared to the very weak performance of last year, which supported a substantial year-on-year improvement in profitability for the segment. However, the gradual market recovery following the destocking cycle of last year slowed during the quarter as underlying demand continues to be suppressed by global macroeconomic challenges and a likely shift in consumer behaviour following the Covid-19 pandemic. Escalating costs also impacted margins compared to the prior quarter.

⁽¹⁾ "year-on-year" or "prior/previous year" is a comparison between Q3 FY2024 versus Q3 FY2023; "quarter-on-quarter" or "prior/previous quarter" is a comparison between Q3 FY2024 and Q2 FY2024.

⁽²⁾ EBITDA in this report excludes special items.

⁽³⁾ High yield pulp = bleached chemi-thermomechanical pulp (BCTMP).

The packaging and speciality papers segment experienced a challenging quarter. Paperboard demand in North America rebounded during the quarter, but selling prices came under pressure and the region was further negatively impacted by the scheduled Somerset Mill maintenance shut. European demand also improved, albeit off of a low base. Market sentiment showed modest signs of recovery, particularly in the label and self-adhesive categories. Containerboard demand in South Africa was negatively impacted by a weaker than forecast citrus fruit season due to adverse weather events. Despite these headwinds, sales volumes were 22% above last year and improved by 10% quarter-on-quarter. The positive sales volumes momentum was offset by rising costs and declining prices which negatively impacted profitability of the segment.

Earnings per share excluding special items for the quarter was 9 US cents, well above the 5 US cents in the prior year. Special items decreased earnings by US\$3 million.

CASH FLOW AND DEBT

Net cash generated for the quarter of US\$32 million was an improvement on the prior quarter. A positive working capital inflow of US\$44 million and the proceeds of US\$49 million for the sale of the Stockstadt Mill land was partially offset by a cash outflow of US\$61 million for the closure and restructuring of the Lanaken Mill. Capital expenditure of US\$108 million was in line with phasing expectations for the Somerset PM2 conversion and expansion project.

Positive cash generation supported a quarter-on-quarter reduction in net debt of US\$26 million to US\$1,340 million. Liquidity comprised cash on hand of US\$365 million and US\$662 million from the committed unutilised revolving credit facilities (RCF) in South Africa and Europe.

Operating review for the quarter



Sales offices
Production
facilities

12
8

EUROPE

	Quarter ended				
	Jun 2024	Mar 2024	Dec 2023	Sept 2023	Jun 2023
€ million					
Sales – tons 000's	492	495	494	469	434
Sales	543	540	534	537	543
Operating profit (loss) excluding special items	4	10	2	(50)	(16)
<i>Operating profit (loss) excluding special items to sales (%)</i>	0.7	1.9	0.4	(9.3)	(2.9)
EBITDA excluding special items	25	32	26	2	3
<i>EBITDA excluding special items to sales (%)</i>	4.6	5.9	4.9	0.4	0.6
<i>RONOA pa (%)</i>	1.5	4.2	0.8	(18.2)	(5.5)

The European business continued to be affected by weak economic conditions in the region and their impact on paper markets. Although year-on-year profitability was substantially improved, with sales volumes 13% up from the lows of last year, the recovery stalled during the quarter. Rising input costs, particularly paper pulp, created further headwinds for the business. On a positive note, the sale of the Stockstadt Mill site was concluded during the quarter and ownership transferred to the Progroup.

Profitability of the graphic papers segment improved compared to the prior year on the back of higher sales volumes and lower costs. However, sales volumes were flat and costs increased relative to the prior quarter, which put pressure on margins. Despite the closure of two mills and general weakness in European graphic papers markets, we maintained or increased market share across the graphic paper categories.

Sales volumes for the packaging and speciality papers segment increased 17% year-on-year. In addition, a modest quarter-on-quarter improvement in sales volumes and pricing was achieved. These were insufficient to offset cost inflation, leading to margin erosion for the segment. Demand dynamics varied within the specific end user categories aligned with general consumer sentiment with self-adhesive label and release liner papers generally performing better than paperboard, which remains oversupplied in the region.

Variable costs were 7% below last year driven predominantly by savings for chemicals and wood. Similarly fixed costs also decreased by 7% due to lower maintenance costs and personnel savings associated with the restructuring of the business.



Sales offices

6

Production facilities

4

NORTH AMERICA

	Quarter ended				
	Jun 2024	Mar 2024	Dec 2023	Sept 2023	Jun 2023
US\$ million					
Sales – tons 000's	340	361	320	360	305
Sales	429	450	398	431	395
Operating profit (loss) excluding special items	11	29	23	37	4
<i>Operating profit (loss) excluding special items to sales (%)</i>	2.6	6.4	5.8	8.6	1.0
EBITDA excluding special items	33	51	46	60	27
<i>EBITDA excluding special items to sales (%)</i>	7.7	11.3	11.6	13.9	6.8
RONOA <i>pa</i> (%)	3.2	8.4	6.8	10.9	1.2

The North American business delivered a solid performance against a backdrop of rising input costs and taking into account the extended scheduled maintenance shut at the Somerset Mill which reduced profitability in the quarter by US\$23 million.

Demand for graphic papers was relatively stable quarter-on-quarter but remained generally subdued. Profitability for the segment was substantially improved from last year but was negatively impacted by slightly lower average selling prices and higher costs compared to the prior quarter.

Sales volumes for packaging and speciality papers sequentially improved and were 43% and 6% above last year and the prior quarter respectively. Paperboard demand was steady with

sales constrained by the maintenance outage at the Somerset Mill. However, selling prices came under pressure during the quarter, particularly for food service board grades.

Pulp segment sales volumes declined compared to last year and the prior quarter. This was predominantly due to timing of DP shipments and lower external high yield pulp⁽³⁾ sales which reduced due to the annual maintenance shut at the Matane Mill. Demand for DP was strong, and pricing was stable during the quarter.

Variable costs were stable year-on-year and fixed costs were 18% above the prior year primarily due to higher maintenance cost associated with the Somerset Mill scheduled shut.

⁽³⁾ High yield pulp = bleached chemi-thermomechanical pulp (BCTMP).

Operating review for the quarter continued



Sales offices **3**
Production facilities **5**

SOUTH AFRICA

	Quarter ended				
	Jun 2024	Mar 2024	Dec 2023	Sept 2023	Jun 2023
ZAR million					
Sales – tons 000's	678	611	592	740	773
Sales	7,088	6,418	6,011	7,154	6,781
Operating profit (loss) excluding special items ⁽¹⁾	1,241	1,358	1,124	1,426	942
Operating profit (loss) excluding special items to sales (%) ⁽¹⁾	17.5	21.2	18.7	19.9	13.9
EBITDA excluding special items ⁽¹⁾	1,636	1,736	1,517	1,854	1,335
EBITDA excluding special items to sales (%) ⁽¹⁾	23.1	27.0	25.2	25.9	19.7
RONOA <i>pa</i> (%) ⁽¹⁾	14.8	16.4	14.0	18.6	12.5

⁽¹⁾ The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations, which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.

The South African business delivered another strong quarter with profitability boosted by favourable selling prices for DP and improved year-on-year packaging papers sales volumes. Profitability was ahead of the prior quarter taking into account the impact of the scheduled Saiccor Mill maintenance shut during the quarter, which reduced profits by ZAR174 million. EBITDA for the quarter included a ZAR56 million forestry fair value price adjustment which was ahead of expectations due to lower fuel costs for transport.

Demand for DP was strong during the quarter with sales aligned to production. Sales volumes were in line with last year and 2% above the prior quarter. Profitability of the segment improved year-on-year due to higher selling prices and lower costs but was negatively

impacted compared to the prior quarter by the Saiccor Mill maintenance shut.

Although containerboard markets improved during the quarter, a lower than anticipated forecast for citrus exports dampened demand. Sales volumes increased by 23% quarter-on-quarter and were 10% above last year which boosted profitability of the segment. Rising international containerboard prices and worsening global logistics supported domestic demand.

Office paper and newsprint markets remained challenging with prices under pressure from cheaper imports.

Variable costs were 6% below the prior year due to lower wood, chemical and delivery costs. Fixed costs were 12% higher than last year due to higher personnel and maintenance costs.

POST-BALANCE SHEET EVENTS

On 15 July 2024 Sappi announced that it has concluded a sale agreement for the Lanaken Mill with UTB Waalwijk B.V. a privately owned Dutch company specialising in industrial property conversions. In terms of the agreement UTB will acquire all the shares in Sappi Lanaken N.V. including all its assets for a value of €50 million, of which €40 million will be paid in cash. The transaction is unconditional and expected to close during October 2024.

OUTLOOK

Global macroeconomic conditions and consumer sentiment are slowly improving but a high level of uncertainty still exists, exacerbated by ongoing logistical challenges. Sappi remains well positioned with our competitive dissolving pulp business and strategic focus on growing the packaging and speciality papers segment to benefit from a global economic rebound.

Dissolving pulp market conditions remain robust as low downstream viscose staple fibre inventories and a constrained DP supply landscape continue to offer support for DP prices. Both VSF and DP prices have risen in recent weeks driven by an earlier than usual upsurge in seasonal activity in the textile value chain and concerns around logistical

challenges. Cotton pricing has dropped in recent weeks from relatively high levels and is generally more volatile than VSF and polyester pricing. The VSF discount to cotton nevertheless remains healthy which should support continued demand for VSF.

Graphic papers markets remain suppressed, particularly in Europe. The fourth quarter is seasonally stronger and we anticipate some recovery in demand for graphic papers through the quarter. Market conditions for packaging and speciality papers in North America and South Africa are steadily improving, but recovery in Europe continues to lag. Margin management remains our primary focus for the paper businesses to mitigate the impact of rising costs.

Logistical challenges are driving up global shipping costs, which is expected to negatively impact delivery expenses. Additionally, variable costs, particularly chemical costs, are anticipated to increase as suppliers seek to pass on the higher logistics costs. Paper pulp prices appear to have peaked and are expected to begin reducing in coming months. However, there is typically a lag in European and North American pulp markets and therefore the benefit of purchased pulp savings are only likely to be realised in the new financial year.

Capital expenditure for FY2024 is expected to be slightly below previous guidance due to phasing projects and will likely be in the region of US\$480 million. This includes approximately US\$154 million for the Somerset PM2 conversion and expansion project.

Market prices for hardwood timber have reduced in recent weeks and we anticipate that the plantation fair value price adjustment for the fourth quarter will offset the majority of the gain from prior quarters. Notwithstanding the slow recovery in global macroeconomic

conditions, and taking into consideration the impact of rising costs, we anticipate that EBITDA⁽²⁾ (excluding the plantation fair value price adjustment) for the fourth quarter of FY2024 will be above that of the equivalent quarter in the prior year.

On behalf of the board

SR Binnie

Director

GT Pearce

Director

08 August 2024

⁽²⁾ EBITDA in this report excludes special items.

Forward-looking statements

Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, identify forward-looking statements. In addition, this document includes forward-looking statements relating to our potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of adverse changes in global economic conditions;

- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructurings or other strategic initiatives, and achieving expected savings and synergies;
- currency fluctuations.

We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

Condensed group income statement

US\$ million	Note	Quarter ended		Nine months ended	
		Jun 2024	Jun 2023	Jun 2024	Jun 2023
Sales		1,370	1,326	3,994	4,428
Cost of sales		1,204	1,200	3,431	3,770
Gross profit		166	126	563	658
Selling, general and administrative expenses		91	79	292	261
Other operating (income) expenses		(4)	(8)	212	2
Share of (profit) loss from equity accounted investees		(3)	(1)	-	-
Operating profit (loss)	3	82	56	59	395
Net finance costs		19	14	50	32
Finance costs		28	25	79	79
Finance income		(6)	(7)	(22)	(39)
Net foreign exchange gain		(3)	(4)	(7)	(8)
Profit (Loss) before taxation		63	42	9	363
Taxation		12	2	55	64
Profit (Loss) for the period		51	40	(46)	299
Basic earnings per share (US cents)	4	9	7	(8)	53
Weighted average number of shares in issue (millions)		599.4	561.2	576.8	565.1
Diluted earnings per share (US cents)	4	8	7	(8)	50
Weighted average number of shares on fully diluted basis (millions)		605.0	599.9	582.3	603.9

Condensed group statement of other comprehensive income

US\$ million	Quarter ended		Nine months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Profit (Loss) for the period	51	40	(46)	299
Other comprehensive income, net of tax				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Actuarial gains (losses) on post-employment benefit funds	–	–	–	(2)
Tax effect	–	–	–	1
<i>Items that may be reclassified subsequently to profit or loss</i>	57	(72)	51	(67)
Exchange differences on translation of foreign operations	54	(73)	47	(97)
Movements in hedging reserves	4	1	5	33
Tax effect	(1)	–	(1)	(3)
Total comprehensive income for the period	108	(32)	5	230

Condensed group balance sheet

US\$ million	Note	Jun 2024	Reviewed Sept 2023
ASSETS			
Non-current assets		3,971	3,742
Property, plant and equipment		2,998	2,886
Right-of-use assets		79	69
Plantations		565	488
Deferred tax assets		84	75
Goodwill and intangible assets		108	88
Equity accounted investees		10	9
Other non-current assets	8	127	127
Current assets		1,896	2,054
Inventories		835	777
Trade and other receivables		682	658
Derivative financial assets		11	14
Taxation receivable		3	4
Cash and cash equivalents		365	601
Total assets		5,867	5,796
EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shareholders' interest		2,429	2,445
Non-current liabilities		2,213	2,035
Interest-bearing borrowings		1,479	1,329
Lease liabilities		73	61
Deferred tax liabilities		412	394
Defined benefit and other liabilities		249	251
Current liabilities		1,225	1,316
Interest-bearing borrowings		131	266
Lease liabilities		22	30
Trade and other payables		987	908
Provisions	8	31	80
Derivative financial liabilities		–	3
Taxation payable		54	29
Total equity and liabilities		5,867	5,796
Number of shares in issue at balance sheet date (millions)		599.4	558.8

Condensed group statement of cash flows

US\$ million	Quarter ended		Nine months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Profit (Loss) for the period	51	40	(46)	299
<i>Adjustment for:</i>				
Depreciation, fellings and amortisation	84	82	257	245
Taxation	12	2	55	64
Net finance costs	19	14	50	32
Defined post-employment benefits paid	(5)	(5)	(19)	(23)
Plantation fair value adjustments	(31)	(38)	(110)	(92)
Asset impairments	(3)	–	2	–
(Profit) Loss on disposal of held-for-sale assets	–	–	–	1
Net restructuring provisions	1	–	142	–
(Profit) Loss on disposal and written-off assets	(8)	–	(9)	–
Other non-cash items ⁽¹⁾	2	(4)	49	7
Cash generated from operations	122	91	371	533
Movement in working capital	44	89	(44)	14
Closure and restructuring costs paid	(61)	–	(237)	–
Finance costs paid	(15)	(33)	(53)	(98)
Finance income received	6	7	22	22
Taxation (paid) refund	(3)	(14)	(30)	(28)
Dividend paid	–	–	(84)	(85)
Cash (utilised by) generated from operating activities	93	140	(55)	358
Cash utilised in investing activities	(61)	(67)	(216)	(224)
Capital expenditure	(108)	(62)	(248)	(203)
Proceeds on disposal of assets	49	–	51	1
Proceeds on held-for-sale assets	–	–	–	10
Additions to non-current and intangible asset	(2)	(5)	(19)	(32)

⁽¹⁾ Other non-cash items for the nine months ended June 2024 include accruals for closure costs at Lanaken of US\$40 million (€37 million), non-cash movements in the defined benefit liabilities and plan assets of US\$16 million (2023: US\$14 million) and share-based charges of US\$5 million (2023: US\$5 million).

Condensed group statement of cash flows continued

US\$ million	Quarter ended		Nine months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Net cash (utilised) generated	32	73	(271)	134
Cash effects of financing activities	(61)	(130)	33	(447)
Proceeds from interest-bearing borrowings	80	–	295	–
Repayment of interest-bearing borrowings	(135)	(102)	(244)	(408)
Share repurchases	–	(22)	–	(22)
Capital lease repayments	(6)	(6)	(18)	(17)
Net movement in cash and cash equivalents	(29)	(57)	(238)	(313)
Cash and cash equivalents at beginning of period	392	557	601	780
Translation effects	2	4	2	37
Cash and cash equivalents at end of period	365	504	365	504

Condensed group statement of changes in equity

US\$ million	Nine months ended	
	Jun 2024	Jun 2023
Balance – beginning of period	2,445	2,358
Profit (Loss) for the period	(46)	299
Other comprehensive income for the period	51	(69)
Issue of shares	58	3
Dividend – 15 US cents	(84)	(85)
Share repurchases	–	(22)
Share-based payment reserve	5	5
Balance – end of period	2,429	2,489
Comprising		
Ordinary share capital and premium	767	683
Non-distributable reserves	119	109
Foreign currency translation reserves	(225)	(243)
Hedging reserves	(51)	(52)
Retained earnings	1,819	1,992
Total equity	2,429	2,489

Notes to the condensed group results

1. Basis of preparation

The condensed consolidated interim financial statements for the quarter and nine months ended June 2024 are prepared in accordance with and contain the information required by IAS 34 *Interim Financial Reporting* and the SA financial reporting requirements. The accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the previous annual financial statements.

The preparation of these condensed consolidated financial statements was supervised by the Chief Financial Officer, GT Pearce, CA(SA) and were authorised for issue on 08 August 2024.

The results are unaudited.

2. Segment information

Metric tons (000's)	Quarter ended		Nine months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Sales volume				
North America	340	305	1,021	1,013
Europe	492	434	1,481	1,440
South Africa – Pulp and paper	413	399	1,154	1,179
Forestry	265	374	727	1,081
Total	1,510	1,512	4,383	4,713
Which consists of:				
Pulp	359	378	1,071	1,103
Packaging and speciality papers	361	296	973	927
Graphic papers	525	464	1,612	1,602
Forestry	265	374	727	1,081

Notes to the condensed group results continued

2. Segment information continued

US\$ million	Quarter ended		Nine months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Sales				
North America	429	395	1,277	1,379
Europe	587	595	1,748	2,035
South Africa – Pulp and paper	359	341	992	1,047
Forestry	18	21	46	62
Delivery costs revenue adjustment ⁽¹⁾	(24)	(26)	(70)	(95)
Total	1,369	1,326	3,993	4,428
Which consists of:				
Pulp	310	313	889	972
Packaging and speciality papers	452	413	1,241	1,332
Graphic papers	613	605	1,887	2,157
Forestry	18	21	46	62
Delivery costs revenue adjustment ⁽¹⁾	(24)	(26)	(70)	(95)
Operating profit (loss) excluding special items⁽³⁾				
North America	11	4	63	138
Europe	4	(16)	17	60
South Africa	66	50	198	167
Unallocated and eliminations ⁽²⁾	4	3	9	2
Total	85	41	287	367
Which consists of:				
Pulp	44	23	131	119
Packaging and speciality papers	6	19	35	105
Graphic papers	31	(4)	112	141
Unallocated and eliminations ⁽²⁾	4	3	9	2

⁽¹⁾ Relates to delivery costs netted off against revenue.

⁽²⁾ Includes the group's treasury operations and insurance captive.

⁽³⁾ The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.

2. Segment information continued

US\$ million	Quarter ended		Nine months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Special items – (gains) losses⁽³⁾				
North America	9	7	11	8
Europe	(10)	1	197	2
South Africa	2	(22)	10	(39)
Unallocated and eliminations ⁽²⁾	2	(1)	10	1
Total	3	(15)	228	(28)
Operating profit (loss) by segment				
North America	2	(3)	52	130
Europe	14	(17)	(180)	58
South Africa	64	72	188	206
Unallocated and eliminations ⁽²⁾	2	4	(1)	1
Total	82	56	59	395
EBITDA excluding special items⁽³⁾				
North America	33	27	130	207
Europe	27	5	90	121
South Africa	87	71	260	232
Unallocated and eliminations ⁽²⁾	4	3	10	3
Total	151	106	490	563
Which consists of:				
Pulp	63	42	186	174
Packaging and speciality papers	29	43	103	177
Graphic papers	55	18	191	209
Unallocated and eliminations ⁽²⁾	4	3	10	3

⁽¹⁾ Relates to delivery costs netted off against revenue.

⁽²⁾ Includes the group's treasury operations and insurance captive.

⁽³⁾ The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.

Notes to the condensed group results continued

2. Segment information continued

Reconciliation of EBITDA excluding special items to profit for the period and operating profit excluding special items to operating profit.

Special items cover those items which management believes are material by nature or amount to the operating results and require separate disclosure.

US\$ million	Note	Quarter ended		Nine months ended	
		Jun 2024	Jun 2023	Jun 2024	Jun 2023
EBITDA excluding special items⁽³⁾		151	106	490	563
Depreciation and amortisation		(66)	(65)	(203)	(196)
Operating profit excluding special items⁽³⁾		85	41	287	367
Special items – gains (losses)		(3)	15	(228)	28
Plantation price fair value adjustment ⁽³⁾		–	20	–	38
Net restructuring provisions	8	(1)	–	(142)	–
Profit (Loss) on disposal and written-off assets		8	–	9	–
Asset impairments		3	–	(2)	–
Profit (Loss) on disposal of held-for-sale assets		–	–	–	(1)
Insurance recoveries		–	10	2	9
Fire, flood, storm and other events	8	(13)	(15)	(95)	(18)
Operating profit (loss)		82	56	59	395
Net finance costs		(19)	(14)	(50)	(32)
Profit (Loss) before taxation		63	42	9	363
Taxation		(12)	(2)	(55)	(64)
Profit (Loss) for the period		51	40	(46)	299

⁽³⁾ The definition of special items has been amended from fiscal 2024 to exclude the price fair value adjustment of plantations which was previously included as part of special items. The price fair value adjustment of plantations is therefore included in the current year's EBITDA excluding special items and operating profit (loss) excluding special items. The prior year comparatives for special items continue to include the price fair value adjustment of plantations.

2. Segment information continued

US\$ million	Nine months ended	
	Jun 2024	Jun 2023
Net operating assets		
North America	1,382	1,360
Europe	1,146	1,267
South Africa	1,802	1,603
Unallocated and eliminations ⁽²⁾	16	(4)
Total	4,346	4,226
Reconciliation of net operating assets to total assets		
Segment assets	4,346	4,226
Deferred tax assets	84	54
Cash and cash equivalents	365	504
Trade and other payables	987	695
Provisions	31	2
Derivative financial instruments	–	9
Taxation payable	54	46
Liabilities associated with assets held for sale	–	165
Total assets	5,867	5,701

⁽²⁾ Includes the group's treasury operations and insurance captive.

Notes to the condensed group results continued

3. Operating profit (loss)

US\$ million	Note	Quarter ended		Nine months ended	
		Jun 2024	Jun 2023	Jun 2024	Jun 2023
Included in operating profit are the following items:					
Depreciation and amortisation		66	65	203	196
Fair value adjustment on plantations (included in cost of sales)					
Fellings		18	17	54	49
Growth		(28)	(18)	(78)	(54)
Price		(3)	(20)	(32)	(38)
		(13)	(21)	(56)	(43)
Net restructuring provisions	8	1	–	142	–
(Profit) Loss on disposal and written-off assets		(8)	–	(9)	–
Asset impairments		(3)	–	2	–
(Profit) Loss on disposal of held-for-sale assets		–	–	–	1
Insurance recoveries		–	(10)	(2)	(9)

4. Earnings per share

US\$ million	Quarter ended		Nine months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Basic earnings per share (US cents)	9	7	(8)	53
Headline earnings per share (US cents)	7	7	(8)	53
EPS excluding special items (US cents)	9	5	30	46
Weighted average number of shares in issue (millions)	599.4	561.2	576.8	565.1
Diluted earnings per share (US cents)	8	7	(8)	50
Diluted headline earnings per share (US cents)	7	7	(8)	50
Weighted average number of shares on fully diluted basis (millions)	605.0	599.9	582.3	603.9
Calculation of headline earnings				
Profit (Loss) for the period	51	40	(46)	299
(Profit) Loss on disposal and write-off of property, plant and equipment	(8)	–	(9)	–
Asset impairments	(3)	–	2	–
(Profit) Loss on disposal of held-for-sale assets	–	–	–	1
Tax effect of above items	4	–	4	(1)
Headline earnings	44	40	(49)	299
Calculation of earnings excluding special items				
Profit (Loss) for the period	51	40	(46)	299
Special items after tax	5	(12)	223	(22)
Special items	3	(15)	228	(28)
Tax effect	2	3	(5)	6
Finance costs	–	–	–	(15)
Tax special items	–	–	(6)	–
Earnings excluding special items	56	28	171	262

Notes to the condensed group results continued

5. Financial instruments

The group's financial instruments that are measured at fair value on a recurring basis consist of derivative financial instruments and investment funds. These have been categorised in terms of the fair value measurement hierarchy as established by IFRS 13 *Fair Value Measurement* per the table below.

US\$ million	Classification	Fair value hierarchy	Fair value ⁽¹⁾	
			Jun 2024	Reviewed Sept 2023
Investment funds ⁽²⁾	FV through OCI	Level 1	4	4
Derivative financial assets	FV through PL	Level 2	11	14
Derivative financial liabilities	FV through PL	Level 2	-	3

⁽¹⁾ The fair value of the financial instruments are equal to their carrying value.

⁽²⁾ Included in other non-current assets.

There have been no transfers of financial assets or financial liabilities between the categories of the fair value hierarchy.

The fair value of all external over-the-counter derivatives is calculated based on the discount rate adjustment technique. The discount rate used is derived from observable rates of return for comparable assets or liabilities traded in the market. The credit risk of the external counterparty is incorporated into the calculation of fair values of financial assets and own credit risk is incorporated in the measurement of financial liabilities. The change in fair value is therefore impacted by the following inputs: the movement of the interest rate curves, by the volatility of the applied credit spreads, and by any changes to the credit profile of the involved parties.

There are no financial assets and liabilities that have been remeasured to fair value on a non-recurring basis.

The carrying amounts of other financial instruments which include cash and cash equivalents, trade and other receivables, certain investments, trade and other payables and current interest-bearing borrowings approximate their fair values.

6. Capital commitments

US\$ million	Jun 2024	Reviewed Sept 2023
Contracted	326	269
Approved but not contracted	199	320
	525	589

7. Interest-bearing borrowings, lease liabilities and cash and cash equivalents

US\$ million	Jun 2024	Reviewed Sept 2023
Non-current and current interest-bearing borrowings	1,610	1,595
Non-current and current lease liabilities	95	91
Less: Cash and cash equivalents	(365)	(601)
Net debt	1,340	1,085
As at June 2024, the group was in compliance with its debt covenants:		
Covenant leverage ratio	2.1	1.4
Interest cover	10.3	11.4

8. Material balance sheet movements

Since the 2023 financial year-end, the Euro and the ZAR have strengthened and weakened by approximately 1.4% and 3.9% respectively against the US Dollar, the group's presentation currency. This has resulted in an increase of the group's European assets and liabilities and a decrease of the group's South African assets and liabilities, which are held in the aforementioned functional currency, on translation to the presentation currency at period end.

Ordinary shareholders' interest

In March, the group issued 39.5 million ordinary shares amounting to US\$58 million to settle the residual ZAR1.2 billion 5.25% Convertible Bonds issued by Sappi's wholly owned subsidiary, Sappi Southern Africa Limited, on 25 November 2020.

Other non-current assets

All remaining members on the South African defined benefit fund were transferred to the provident fund on 28 February 2024. This resulted in a settlement loss of US\$2 million (ZAR37 million).

Provisions

Closure costs of US\$60 million (€55 million) included in "fire, flood, storm and other events" and restructuring costs of US\$140 million (€129 million) included in "Net restructuring provisions" were raised during the year for the closure of our Stockstadt and Lanaken Mills within our European segment.

9. Related parties

There has been no material change, by nature or amount, in transactions with related parties since the 2023 financial year-end.

10. Events after balance sheet date

On 15 July 2024, we concluded the sale of the shares in Sappi Lanaken N.V. for €50 million of which €40 million will be paid in cash. The transaction is unconditional and expected to close during October 2024.

During July 2024 numerous fires, driven by extreme weather conditions, were experienced in Sappi's plantations in Mpumalanga and KwaZulu-Natal in South Africa. Approximately 7,500 hectares were burnt at an estimated cost of US\$7 million (ZAR130 million).

On 17 July 2024, a fire and subsequent explosion occurred on a supplier's truck at the group's Saiccor Mill resulting in estimated damage and lost profitability of US\$5 million (ZAR100 million). The mill was completely shut down for four days.

11. Accounting standards, interpretations and amendments to existing standards that are not yet effective

There has been no significant change to management's estimates in respect of new accounting standards, amendments and interpretations to existing standards that have been published which are not yet effective and which have not yet been adopted by the group.

Supplemental information

(this information has not been audited or reviewed)

General definitions

Average – averages are calculated as the sum of the opening and closing balances for the relevant period divided by two

Capital employed – shareholders' equity plus net debt

Covenant leverage ratio – net debt divided by last 12 months' EBITDA excluding special items as defined by our bank covenants

EBITDA excluding special items – earnings before interest (net finance costs), taxation, depreciation, amortisation and special items

EPS excluding special items – earnings per share excluding special items and certain once-off finance and tax items

Fellings – the amount charged against the income statement representing the standing value of the plantations harvested

Headline earnings – as defined in circular 1/2023, as issued by the South African Institute of Chartered Accountants, separates from earnings all separately identifiable remeasurements. It is not necessarily a measure of sustainable earnings. It is a Listings Requirement of the JSE Limited to disclose headline earnings per share

Interest cover – last 12 months' EBITDA excluding special items to net interest adjusted for refinancing costs

NBSK – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, produced from coniferous trees (ie spruce, pine) in Scandinavia, Canada and northern USA. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes

Net assets – total assets less total liabilities

Net asset value per share – net assets divided by the number of shares in issue at balance sheet date

Net debt – current and non-current interest-bearing borrowings and lease liabilities, bank overdrafts less cash and cash equivalents

Net debt to EBITDA excluding special items – net debt divided by the last 12 months' EBITDA excluding special items

Net operating assets – total assets (excluding deferred tax assets and cash) less current liabilities (excluding interest-bearing borrowings, lease liabilities and overdraft)

Operating profit – profit from business operations before deduction of net finance costs and taxes

Supplemental information continued

(this information has not been audited or reviewed)

Non-GAAP measures – the group believes that it is useful to report certain non-GAAP measures for the following reasons:

- these measures are used by the group for internal performance analysis
- the presentation by the group's reported business segments of these measures facilitates comparability with other companies in our industry, although the group's measures may not be comparable with similarly titled profit measurements reported by other companies
- it is useful in connection with the discussion with the investment analyst community and debt rating agencies

These non-GAAP measures should not be considered in isolation or construed as a substitute for GAAP measures in accordance with IFRS

ROCE – annualised return on average capital employed. Operating profit excluding special items divided by average capital employed

RONOA – return on average net operating assets. Operating profit excluding special items divided by average net operating assets

Special items – special items cover those items which management believes are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters and settlement gains or losses on defined benefit obligations

The above financial measures are presented to assist our shareholders and the investment community in interpreting our financial results. These financial measures are regularly used and compared between companies in our industry

Summary Rand convenience translation

	Quarter ended		Nine months ended	
	Jun 2024	Jun 2023	Jun 2024	Jun 2023
Key figures (ZAR million)				
Sales	25,442	24,772	74,789	79,802
Operating profit excluding special items ⁽¹⁾	1,579	766	5,374	6,614
Special items – (gains) losses ⁽¹⁾	56	(280)	4,269	(505)
EBITDA excluding special items ⁽¹⁾	2,804	1,980	9,175	10,146
Profit for the period	947	747	(861)	5,389
Basic earnings per share (SA cents)	158	133	(149)	954
Net debt ⁽¹⁾	24,378	22,149	24,378	22,149
Key ratios (%)				
Operating profit excluding special items to sales	6.2	3.1	7.2	8.3
Operating profit excluding special items to capital employed (ROCE) ⁽¹⁾	9.1	4.5	10.6	13.3
EBITDA excluding special items to sales	11.0	8.0	12.3	12.7

⁽¹⁾ Refer to supplemental information for the definition of the term.

The above financial results have been translated into Rand from US Dollar as follows:

- assets and liabilities at rates of exchange ruling at period-end; and
- income, expenditure and cash flow items at average exchange rates.

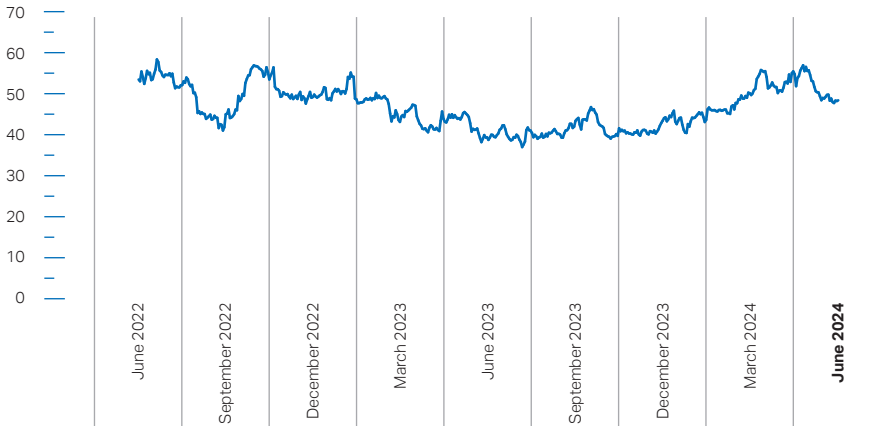
Supplemental information continued

(this information has not been audited or reviewed)

Exchange rates

	Jun 2024	Mar 2024	Dec 2023	Sept 2023	Jun 2023
Exchange rates:					
Period-end rate: US\$1 = ZAR	18.1925	18.8688	18.2969	18.9299	18.8338
Average rate for the quarter: US\$1 = ZAR	18.5706	18.8776	18.7269	18.6387	18.6817
Average rate for the year to date: US\$1 = ZAR	18.7254	18.8027	18.7269	18.1791	18.0221
Period-end rate: €1 = US\$	1.0715	1.0795	1.1037	1.0572	1.0912
Average rate for the quarter: €1 = US\$	1.0765	1.0860	1.0763	1.0881	1.0887
Average rate for the year to date: €1 = US\$	1.0796	1.0811	1.0763	1.0679	1.0612

Sappi share price – June 2022 to June 2024





Sappi has a primary listing on the JSE Limited and a Level 1 ADR programme that trades in the over-the-counter market in the United States

Our purpose

Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.

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